

**Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201**

**Department of the Treasury**

Release Number: **201251021**  
Release Date: 12/12/2012  
**Date: September 25, 2012**

**Employer Identification Number:**

**Contact Person - ID Number:**

**Contact Telephone Number:**

**LEGEND**

UIL: 4945.04-04

X= Name of Scholarship Program  
Y= Location of Scholarship Recipients  
z dollars = dollar amount

Dear

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated September 27, 2011.

Our records indicate that you are recognized as exempt from federal income tax under section 501(c)(3) of the Code and that you are classified as a private foundation as defined in section 509(a).

Your letter indicates that you will operate a grant-making program called X.

The purpose of X is to identify graduating high school students and current college or graduate students in the metropolitan area of Y, who need funds in order to attend college or graduate school and pay for tuition, books, education related fees, supplies, and equipment including computers and software.

You will make X known by contacting the principals of various high schools in the Y area. You will also send announcement letters to deans of colleges and universities in the same geographical area to be brought to the attention of interested students. The following criteria will be applied in the selection of scholarship recipients of X.

1. Applicants' academic record. High school students who have a 2.5 grade point average prior to application. College or graduate students who maintain a 2.0 grade point average for completed semesters by the due date of the application.
2. Leadership capability evidenced by participation in extra-curricular activities.
3. Information demonstrating financial need.
4. Applicant's desire to pursue mathematics, science, and the performing arts may be considered although such is not a requirement to receive the scholarship.

The number of scholarships you will award will be determined by the availability of funds as determined by the Board of Directors and the number of qualified applicants.

You will give 0-5 scholarships annually, with a total award amount of z dollars. The z dollar amount will be divided by the number of scholarship recipients awarded for each given year.

The scholarship recipients will be chosen by a 3 member Scholarship Committee selected by your Board of Directors. No family members of the Directors or Scholarship Committee, or employees of your foundation are eligible to apply for scholarships.

You will implement the following in regards to X:

1. You will select the members of the Scholarship Committee who will be involved in setting the criteria for selection of scholarship recipients. You will elect a replacement committee member if a committee member can no longer serve or resigns from the Board of Directors.
2. You will pay tuition and fees directly to the institution after receiving confirmation that the award recipient is actively enrolled in the institution for the semester. You will pay the expenses when paid receipts are submitted and the Scholarship Committee believes it is a legitimate expense that will contribute to the recipients' academic success.
3. You will require Scholarship recipients to submit a copy of their transcript to the Scholarship Committee within 15 days after semester grades are announced.
4. You will keep records for 3 years of all applications submitted, and copies of the grant award letters sent to award recipients. You will keep copies of transcripts and any other documentation that is submitted to the Scholarship Committee.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) (as in effect on the day before the date of the enactment of the Tax Reform Act of 1986) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed, with a view to providing objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute “taxable expenditures” within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are ‘scholarship or fellowship’ grants within the meaning of section 117 of the Code, and are excludable from the gross income of the recipients subject to the limitations provided in section 117(b) of the Code, including to the extent that such grants are used for qualified tuition and related expenses within the meaning of section 117(b)(2) of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Holly O. Paz  
Director, Exempt Organizations  
Rulings and Agreements